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The conduct of Lord Barker of Battle and Lord Fairfax of Cameron

REPORT FROM THE COMMISSIONER FOR STANDARDS

Summary of complaints and investigations

1. I received a letter dated 24 October 2018 from Tom Brake MP expressing concern that several members of the House of Lords might have breached the House of Lords Code of Conduct in respect of financial links between those members and businesses with interests in Russia. The allegation was that these members had used their positions in the House of Lords to lobby for these businesses and, indirectly, for the Russian state. Mr Brake's letter noted that the members named had declared their interests in these businesses under the Lords Register of Interests, in accordance with the Code of Conduct.
2. The letter followed an article in the *The Times* on 24 October 2018 (with a further article on 25 October), which reported an exchange of correspondence between the Chair of the House of Commons Foreign Affairs Committee, Tom Tugendhat MP, and the Security Minister, Ben Wallace MP. The article stated: 'Ben Wallace said in a letter to the Commons foreign affairs committee that he had been contacted by two Conservative peers "requesting government assistance for Russian associates" since he took up his post in 2016.' The two peers in question were identified as Lord Barker of Battle, in his capacity as Chair of EN+ Group PLC, and Lord Fairfax of Cameron, in his capacity as Director of Sovcomflot (UK) Ltd.
3. The article reported that Ben Wallace 'did not take up the offer to meet and discuss sanctions with Lord Barker of Battle'; and that 'a ministerial meeting did go ahead with the Conservative peer Lord Fairfax of Cameron', who 'wished to discuss his experience working for Sovcomflot, the state-owned Russian shipping company'.
4. I replied to Mr Brake on 26 October stating that I would treat his letter as a complaint inviting me to consider whether the Code of Conduct had been breached by the members named in his letter; clarifying that his complaint was indeed based on *The Times* articles; and inviting Mr Brake to submit any further evidence.
5. I received further emails from the complainant on 19 and 23 November, and, having carried out a preliminary assessment, replied to the complainant on 13 December. My preliminary assessment determined that there was sufficient prima facie evidence to pursue investigations in respect of two of the members identified in the complaint, Lord Barker of Battle and Lord Fairfax of Cameron. There was insufficient prima facie evidence to pursue investigations in respect of the other members named in the initial complaint.

6. In respect of Lord Barker of Battle, my investigation concerned whether he had breached paragraphs 8(b) (personal honour), 8(d) (payment for providing parliamentary advice or services) and 14 (paid advocacy).
7. In respect of Lord Fairfax of Cameron, my investigation concerned whether he had breached paragraph 8(d) of the Code (payment for providing parliamentary advice or services) and 14 (paid advocacy).

Key facts: Lord Barker of Battle

8. Lord Barker's response to my investigation dated 4 January 2019 confirms that no meeting with the Minister took place. The complaint in respect of 'paid advocacy' therefore cannot be upheld, as no advocacy took place, and no evidence has been presented to suggest that Lord Barker attempted to influence the Government for the exclusive benefit of EN+ in any other arena.
9. On whether Lord Barker received payment from EN+ to provide parliamentary advice or services, I note the inclusion of a clause in Lord Barker's letter of appointment acknowledging that Lord Barker will be bound by the House of Lords Code of Conduct. No evidence has been presented to suggest parliamentary advice or services have been supplied.
10. On personal honour, while no meeting took place, this part of the Code might still be engaged if there were a 'clear willingness' to breach the Code through advocacy for the exclusive benefit of EN+. However, in his letter to the Minister offering a meeting, Lord Barker stated that he had 'no ask of you or any Parliamentary colleague', which argues against there being such a willingness to breach the Code.
11. The complainant's evidence is, in my view, weak. It is based, via articles in *The Times*, on an exchange of correspondence between the Chair of the House of Commons Foreign Affairs Committee and the Security Minister. The correspondence used the wording 'requesting Government assistance' somewhat ambiguously, and does not demonstrate that Lord Barker was indeed requesting assistance. I deemed it appropriate nevertheless to put the allegations to Lord Barker. His response deals effectively with the substance of the allegations. That he had 'no ask' of government is on record; no other evidence has been presented to demonstrate a breach of the Code.

Key Facts: Lord Fairfax of Cameron

12. I received Lord Fairfax's response to the allegations in writing on 11 January 2019. In respect of paid parliamentary advice or services, Lord Fairfax worked for Sovcomflot for ten years when he was not a member of the House. Extracts from his contract, and a submission from Watson, Farley & Williams, show that neither then nor subsequently was he required or permitted to provide parliamentary advice or services for remuneration.
13. Lord Fairfax's response also demonstrates that he did not engage in paid advocacy. His account of the meeting indicates that he wished to bring to the Minister's attention the circumstances of Mr Nikitin in the context of the Government's efforts to investigate unlawfully obtained assets. In meeting the Minister with a view to discussing Unexplained Wealth Orders in connection to Mr Nikitin, he could be said to be upholding the public

interest (through supporting the Government's stated objectives in respect of financial crime) and not his own private interests or those of Sovcomflot.

14. As noted in respect of Lord Barker, the complaint relies on evidence which, in my view, is weak, stemming from *The Times* articles reporting an exchange of correspondence between the Chair of the House of Commons Foreign Affairs Committee and the Security Minister. The correspondence used the wording 'requesting Government assistance' and does not demonstrate that Lord Fairfax was indeed requesting assistance.
15. I note that *The Times* subsequently published a clarification on 30 November that Lord Fairfax had 'not sought to use his position in the House of Lords to advance Russian interests or influence in the UK. His meeting with the security minister was to suggest that the authorities look into a particular Russian individual with whom his company has previously been in litigation'.

Findings

16. The complaints against Lord Barker of Battle and Lord Fairfax of Cameron are dismissed.

Lucy Scott-Moncrieff, CBE
Commissioner for Standards

Appendix A: Letter from Tom Brake MP to the Commissioner for Standards, 24 October 2018

I am writing to you regarding my concerns that a number of Peers, with a personal financial interest and business involvement in a number of Russian companies, are using their positions in the House of Lords to lobby for these companies, and indirectly for the Russian State.

My concerns are related to the following Peers:

Lord Barker of Battle, who is chairman of En+, a Russian energy-related company, which was one of eight companies with ties to the Russian tycoon, Oleg Deripaska and was placed on a U.S. Treasury blacklist in April.

Lord Fairfax of Cameron, who is a Director of the London affiliate of Russia's largest shipping company Sovcomflot and who has sought meetings with the Ben Wallace MP, the Security Minister, to discuss the Russian shipping company.

[redacted]

I am aware that all of the Peers declared these interests in the members' register, as the Lords' code of conduct requires.

As you will be aware, the Code states that "A member ... must not seek by parliamentary means to confer exclusive benefit on an outside body or person from which he or she receives payment or reward". And that "they should ensure that there is no conflict between their declared interests and the public interest."

I would be grateful if you could confirm whether you have investigated, or intend investigating, whether these Peers have complied with the Code for Members of the House of Lords or whether in fact they have violated these rules by lobbying on behalf of Russian companies or companies with substantial Russian interests, linked to the Russian State. I would be particularly interested to know whether, given the Russian state must be considered a hostile state, it can be in the public interest to lobby for companies closely aligned with the Russian Government.

Appendix B: Articles in *The Times*, 24 and 25 October 2018*'Tory peers told to come clean about Russia links', The Times, 24 October 2018**Peers across parties are on Russian payroll*

The security minister has turned down a meeting with a Tory peer who has financial links to Moscow amid fears about Russian influence and lobbying in parliament, *The Times* can reveal.

Ben Wallace said in a letter to the Commons foreign affairs committee that he had been contacted by two Conservative peers "requesting government assistance for Russian associates" since he took up his post in 2016.

He said he did not take up the offer to meet and discuss sanctions with Lord Barker of Battle. Lord Barker, 52, is chairman of En+, the Russian energy giant majority-owned by the oligarch Oleg Deripaska, a close ally of President Putin. En+ and Mr Deripaska have been subject to sanctions since the Salisbury nerve agent attack in March.

A ministerial meeting did go ahead with the Conservative peer Lord Fairfax of Cameron. Mr Wallace said in the letter, which was leaked to this newspaper, that Lord Fairfax "wished to discuss his experiences working for Sovcomflot", the state-owned Russian shipping company.

Lord Fairfax, 62, is director of Sovcomflot UK, a direct subsidiary of PAO Sovcomflot. Russia and "countries of former Soviet Union" are listed among his focuses on his page on the parliament website.

Lord Barker rejected any suggestion that he had attempted to lobby Mr Wallace. "I have never lobbied the UK government or requested assistance from any member of either of the Houses of Parliament," he said yesterday.

The disclosures come amid concerns among senior members of the Commons that members of the Lords are seeking to lobby on behalf of Russian companies with links to the country's government and doing "the Kremlin's bidding". A *Times* analysis has uncovered peers with financial interests linked to Russia, prompting calls for all Lords to divest themselves of these unless they can prove the interests are free from potential Kremlin influence.

An overhaul of the Lords code of conduct to tighten the rules around transparency and links to foreign nations has also been proposed by MPs and campaigners for transparency. Their calls come after a nerve agent attack by Russian spies in Salisbury in March.

Peers from all sides have been found to have links to Russia. Lord Skidelsky, 79, a crossbencher, is a non-executive director of Russneft, the Russian oil refining company that is 47 per cent owned by Mikhail Gutseriev, a businessman named on a US "oligarch" list this January of people close to President Putin. He declined yesterday to address the calls for peers to divest themselves of Russian interests.

In 2014 in the House, Lord Skidelsky spoke out against sanctions on Russia in response to its illegal annexation of Crimea. He said the West had "actively sought to prise those countries [which in the past formed part of the Russian state] from Russia's orbit, using as its instruments Nato expansion and financial and logistical support for Russophobe movements in newly independent adjacent territories".

Lord Ponsonby of Shulbrede, 59, a Labour peer, declares in the members' register that he is a director of RNG Joint Stock Company, a Russian oil and gas company, and of its direct owner, Easysib, a company registered in Cyprus that operates in Russia. He has not referred to Russia in parliament.

Lord Truscott, 59, an independent Labour peer, receives remunerated employment as chairman of the advisory board of Russian Gold Fund, a private equity investment fund, according to the register of interests. He has spoken about Russia in the Lords, in January declaring the idea that the Kremlin could order a conventional attack against a Nato member a "fantasy" and urging the British government to improve relations with Russia.

More than a dozen parliamentary questions have been tabled by the peer in the past year that touch on themes of interest to Russia, including defence policy, strategy in Syria, and the White Helmets, the rescue volunteers in Syria who have allegedly been targeted by Russia.

In 2013, Lord Truscott nominated Mr Putin for the Nobel peace prize. He is married to Svetlana Chernikov, who is understood to be the daughter of a Red Army colonel. Yesterday Lord Truscott told *The Times* that Russian Gold Fund was "not a Russian company. There is no Russian money in it. Plenty of British funds invest in Russia and other emerging markets, as do a number of major British companies." He said he had no financial interests in Russia and no links to the Russian government.

"I believe that we should engage and work with Russia on many issues, including Syria," he said. He declined to say whether Russian Gold Fund, which does not appear in Companies House or in other international open company registers, invested money in Russia, or why it was so named if it did not.

All the peers declared these interests in the members' register, as the Lords' code of conduct requires. The code and the official guide to it say: "A member ... must not seek by parliamentary means to confer exclusive benefit on an outside body or person from which he or she receives payment or reward."

"Members are not otherwise debarred from participating in proceedings in regard to which they possess relevant interests, financial or non-financial; but such interests should be declared fully. In participating in such proceedings they should ensure that there is no conflict between their declared interests and the public interest."

In light of Russia's hostility, MPs are demanding that peers give up interests potentially linked to the Russian state.

Bob Seely, a Tory MP and member of the foreign affairs committee, said: "Should parliamentarians be 'on the books' of authoritarian states and their supposed proxies? Of course not. It must be noted that proxies can be formal or informal.

"Those peers who work for adversarial foreign powers should give up their right to sit in parliament. Will they? Of course not."

Tom Brake, the Liberal Democrat foreign affairs spokesman, said: "Now is the time for those peers to divest themselves of interests in Russian companies unless they can prove their independence of the Russian state.

“It’s clear that the rules around transparency and lobbying in the Lords must be brought into the 21st century so that it is clear whether peers are speaking on behalf of the UK or representing interests linked to foreign powers.”

Duncan Hames, policy director at Transparency International UK, said: “Parliament needs to improve transparency about members’ financial interests to provide a greater deterrent against corrupt regimes using our representatives to influence friends in high places.”

The Times tried to reach Lord Ponsonby for comment. A House of Lords spokesman said the code was designed to ensure transparency and openness and was “kept under constant review to ensure it remains effective and appropriate, but there are no current plans to ban members from holding financial interests in Russia”.

‘Calls grow for foreign powers law to limit Russian influence’, The Times, 25 October 2018

Parliamentarians, lobbyists and advisers with financial links to overseas powers should be forced to declare such arrangements in a public register, say proposals backed by MPs.

Cross-party calls are growing for a “foreign powers act” in the wake of disclosures that a series of peers have financial interests in Russia.

The Times revealed yesterday that Lord Barker of Battle and Lord Fairfax of Cameron, two Tory lords with business links to Moscow, had “requested government assistance for Russian associates” from the security minister.

A series of other peers were shown to have financial interests in Russia. Some had made interventions in parliament that related to Russia and mirrored Kremlin narratives.

The Lords commissioner for standards is now assessing whether the peers may have breached the code of conduct, after Tom Brake, the Liberal Democrat foreign affairs spokesman, formally raised his concerns with her.

Lucy Scott-Moncrieff, the commissioner, will decide whether to start a formal investigation. Mr Brake also asked her to review proposals for a “foreign powers act”.

Bob Seely, a Tory MP who is a member of the foreign affairs committee and an expert on Russia, said: “It’s now clear that we need a foreign agents act, which lists those people and organisations, PR types, bankers, lawyers and reputation peddlers, etc, who act for foreign states or their proxies in influencing government and public policy.”

MPs across the House have called for the government to explore Mr Seely’s proposal. Tom Tugendhat, the chairman of the foreign affairs committee, said he backed further investigation of the idea, as did Stephen Gethins, the SNP’s international affairs spokesman.

Ben Bradshaw, a Labour MP, added his backing, saying: “I have long been concerned about how easy it is for foreign hostile powers, particularly Russia, to influence our politics using parliamentarians. Although the register of members’ interests is something of a safeguard, it is not sufficient for us to have confidence that undue influence is not being bought. I therefore see strong merit in a more robust system such as that used in the United States.”

Such a law would apply to parliamentarians and a wider set of people working in British political roles.

In the US, legislation dictates that anybody working in political or quasi-political capacities for foreign states or major overseas commercial interests must disclose that relationship to the government and provide information about their activities and finances.

The government is examining proposals to introduce an espionage act that could include elements similar to a foreign powers act, *The Times* understands.

MPs and campaigners have also expressed concerns that the system of declaring interests in the House of Lords could be a back door into parliament for Russia. The Lords code of conduct does not require peers to register work for third party clients if it is conducted via their declared regular employment with a law firm or service provider. Critics fear the system could be exploited as a loophole.

Lord Barker denied that he has requested assistance from the government on behalf of a Russian associate.

Correction in The Times, 28 November 2018

Lord Fairfax has pointed out to us, in relation to recent reports that he has at all times been scrupulous to declare his interests as a director and senior executive of Sovcomflot (UK) Limited and that he has not sought to use his position in the House of Lords to advance Russian interests or influence in the UK. His meeting with the Security Minister was to suggest that the authorities look into a particular Russian individual with whom his company had previously been in litigation.

Appendix C: Correspondence between Tom Tugendhat MP, Chair of the Foreign Affairs Committee and the Rt Hon Ben Wallace MP, Minister of State for Security and Economic Crime

Letter from Tom Tugendhat MP to Ben Wallace MP, 17 September 2018

As you know, the Foreign Affairs Committee has recently undertaken work on the influence of corrupt money linked to Kremlin-connected oligarchs in the UK. In May, we published a report on *Moscow's Gold: Russian Corruption in the UK*, to which the Government responded in July.

As part of the Committee's follow-up work on this report, I am writing to ask if you have had any contact from Members of either House of Parliament requesting Government assistance for Russian associates since taking up your post as Minister of State for Security.

We would appreciate a response by Friday 5 October, and will of course consider carefully any advice regarding the appropriate degree of discretion with which you may ask us to treat this information.

Letter from Ben Wallace MP to Tom Tugendhat MP, 11 October 2018

Thank you for your letter dated 17 September where you asked if I have had any contact from Members of either House of Parliament requesting Government assistance for Russian associates since taking up my post as Minister of State for Security and Economic Crime.

I had a meeting with Lord Fairfax of Cameron at his request who wished to discuss his experiences working for Sovcomflot. I was also asked by Lord Barker of Battle to meet to discuss sanctions. I did not take up his offer.

Appendix D: Letter from Lord Barker of Battle to the Rt Hon Ben Wallace MP, Minister of State for Security and Economic Crime, 12 June 2018

As I am sure you are aware, I took on the Chairmanship of EN+ Group Plc last year prior to its successful listing on the London Stock Exchange.

I appreciate that this IPO raised considerable interest in Parliament, but I am now actively pursuing a number of radical changes, in response to the imposition of U.S. Sanctions details of which I would like to share with you. Together, these measures will result in the removal of Oleg Deripaska from the company and I am working closely with both the U.S. Administration, UK regulators and our minority shareholders to achieve this goal.

If successful it will be a significant development in U.S. Sanctions policy.

Although I have no ask of you or any Parliamentary colleague, I would be most grateful for an opportunity to come and update you on my progress and answer any questions you may have.

Appendix E: Letter from Lord Barker of Battle to the Commissioner for Standards, 4 January 2019

Thank you for your letter of 13 December 2018 (and the relevant enclosures) sent in response to the complaint raised by Mr Tom Brake MP relating to the articles published by *The Times* on 24 October 2018 (the “**Complaint**”). I welcome the opportunity to respond.

I strongly reject the allegation or any suggestion that I have acted inappropriately.

[redacted]

With respect to Mr Brake’s complaint, may I be very clear.

- (1) I had no meeting with Ben Wallace. There was no lobbying.
- (2) I only offered to brief him on my very sensitive discussions with the US government but made crystal clear that I had no ask.
- (3) As independent chairman of En+ plc, a London stock exchange listed global business put under sanctions by the U.S. government in April 2018, I offered as a courtesy to brief the minister on the intensive on-going discussions that I was having over the summer with the U.S. government. This dialogue and the wider issue of sanctions on the business I chair, has attracted a great deal of global attention. However, the radical plan that I pursued over the summer has subsequently led to the announcement by the U.S. government that it will lift sanctions on our group. This decision is a direct result of my efforts to remove Mr Oleg Deripaska from control of the business.
- (4) In my letter offering to brief the Minister, I made it very clear that I was not seeking anything from him, explicitly stating, “**I have no ask of you or any other Parliamentary colleague.**” I attach my original letter to the Minister, which is already in the public domain. *The Times* saw this letter prior to publication but they declined to quote the appropriate passage, as it would have completely undermined the story they were seeking to write. However, no meeting took place.
- (5) While I did not meet with Mr Wallace, I did have one meeting with the Foreign Office Minister responsible for Russian affairs. I briefed him and answered questions in relation to my plan and my confidential discussions with the U.S. State Department and the U.S. Treasury Department regarding my efforts to remove Mr Deripaska from control of the En+ Group.
- (6) Prior to that meeting, in my letter offering to brief the FCO minister, I reiterated the same explicit point, namely “**I have no ask of you or any other parliamentary colleague.**” That meeting was the only one on the subject that I have had with any government minister. Subsequently, the FCO minister was kind enough to confirm in writing to the chair of the Foreign Affairs Select Committee (to whom I also offered exactly the same briefing) that I had neither sought to lobby on behalf of the company or any person, nor had I sought to change government policy when we met. It was simply to brief the minister on a very important and sensitive geo-political initiative. I also attach that letter [Appendix C].

- (7) Finally, I also wish to make clear that any type of lobbying or any other activity that is in conflict with the House of Lords code of conduct is explicitly forbidden in my director's contract with En+ plc. (See relevant pages attached [Appendix F]).

In conclusion, as the record will show, I have never spoken about the company or indeed any Russian related issue in the Chamber, nor would I, nor have I ever sought to use my position in the House of Lords to further the interests of En+.

I completely reject Mr Brake's allegation, which was based on a deliberately and wilfully inaccurate report in *The Times* Newspaper, now itself the subject of a formal complaint.

I would be very happy to provide any further details you may wish to see or indeed discuss this in person.

Appendix F: Letter of Appointment as Chair and Non-Executive Director from EN+ Group PLC to Lord Barker of Battle, 16 October 2017

Appointment as Chairman and Non-Executive Director of EN+ GROUP PLC (the “Company”)

This letter confirms that you will join the board of directors of the Company (the “**Board**”) as a Chairman and non-executive director of the Board with effect from 17 October 2017 (the “**Effective Date**”). The main terms of your appointment to this office are set out below.

1. Appointment

- 1.1 Subject to the remaining provisions of this letter, your appointment under the terms of this letter (the “**Appointment**”) shall be effective from the Effective Date for an initial term of three years, such term to be renewed on its expiry (and thereafter) unless terminated by either:
 - (a) you giving to the Company or the Company giving to you six months’ prior written notice; or
 - (b) pursuant to paragraph 8 below [Reference is to part of this document that has not been published].
- 1.2 Your Appointment shall at all times be subject to the articles of association of the Company, as amended from time to time (the “**Articles**”) and re-appointment by shareholders (as applicable).
- 1.3 As a non-executive director, you will not be an employee of the Company, any subsidiary or holding company of the Company or any subsidiary of any holding company of the Company (together the “**Group**” and each a “**Group Company**”) and this letter shall not constitute a contract of employment. This letter sets out the only payments you will receive for performing your duties. Unless otherwise approved by the Board, no other remuneration or benefits will be provided and, in particular, you will not participate in any of the Company’s or the Group Companies’ remuneration or benefit programmes, arrangements, schemes or plans.

2. Time Commitment

- 2.1 You will commit such time as is necessary to fulfil your duties as a Chairman and non-executive director of the Company. We anticipate that you will normally be required to fulfill your duties for up to 6 (six) days a month, subject to such additional days as may be required to meet the expectations of your role from time to time. This will include attendance at a minimum of 6 (six) Board meetings per annum and meetings of other committees on which you serve, as well as general meetings. In addition, you will be required to consider all relevant papers prior to each meeting. Currently the Board meets not less than 6 (six) times annually, the majority of the meetings are held in Cyprus.

[redacted]

- (l) immediately report your own wrongdoing or the wrongdoing or proposed wrongdoing of any employee or other director of the Company of which you become aware to another director;
- (m) comply with the Articles, any relevant internal guidelines and codes, together with any general laws, regulations and requirements applicable to companies;

- (n) abide by your statutory, fiduciary and common-law duties as a director of the Company; and
- (o) carry out such other functions and duties as may reasonably be required of you from time to time.

3.3 The Company acknowledges that you are bound by the Code of Conduct of the House of Lords (the “**Code**”). You shall perform your duties at all times in compliance with the Code and shall not be required to undertake any duties that are inconsistent with that Code, including but not limited to any lobbying of Government Ministers.

4. Fees

4.1 [redacted]

4.2 [redacted]

4.3 [redacted]

4.4 [redacted]

5. Facilities

5.1 During the Appointment and to enable you to perform your duties, the Company shall provide, at no cost to you:

(a) [redacted]

(b) [redacted]

(c) [redacted]

(d) [redacted]

[redacted]

Appendix G: Letter from Lord Fairfax of Cameron to the Commissioner for Standards, 10 January 2019

1. Thank you for your letter of 13 December 2018 concerning a complaint made by a Liberal Democrat MP, following recent articles in *The Times*, that I have breached the House of Lords Code of Conduct.

The Times articles dated 24 and 25 October 2018

2. As you will know, *The Times* reported that I had “asked for assistance for Russian associates” in a meeting with the Minister for Security and Economic Crime on 10 July 2018, and this article prompted the complaint to your office. It was unfortunate that *The Times* did not make more effort to contact me before publishing the article. However, the newspaper subsequently agreed to set the record straight in its Corrections and Clarifications column in its 30 November 2018 issue (Appendix 1 [Appendix B]). Had the journalist contacted me, I would have shared with her in particular my letter of 24 October 2018 to The Chairman of the Foreign Affairs Committee (Appendix 2 [Appendix D]) and the correct position would have been clear.

My career

3. Perhaps it may be helpful if I provide some background on my career and involvement with Sovcomflot, in order to explain the context for my meeting with the Minister. After qualifying at the Bar, in 1981 I went to work at Thomas Miller, the London-based managers of the UK P&I Club, at the time the largest of the marine mutual insurance companies that insure the liabilities of the world’s shipowners. The UK Club’s members (clients) at the time included, among many others, all the then Soviet shipowners and the department in which I went to work looked after the liability insurance affairs of amongst others those Soviet shipowners. I first travelled to Russia on business in 1982 and have done so on many occasions since then. When I left Thomas Miller in 1990, I was manager of that department. I then continued my career in marine/P&I insurance elsewhere, mainly but not exclusively focusing on P&I liability insurance for shipowners from Russia and the former Soviet Union. In 2004 I was invited to join Sovcomflot by their incoming CEO, whom I had first met on business ten years earlier. As the incoming CEO he was forming a new management team and invited me to be part of that team with particular focus on legal and insurance affairs. I duly joined the London office of Sovcomflot in July 2005 and have worked there on a daily basis ever since. I should emphasise that this was a decade before I was elected to the House of Lords in November 2015. My role in Sovcomflot, apart from being part of the company’s senior management team, has continued to comprise insurance, risk management and legal affairs.

Sovcomflot (SCF Group)

4. It may assist you if I expanded on who Sovcomflot are. Sovcomflot is one of the world’s leading international shipping companies with a fleet of 144 vessels, mostly tankers, specialising in the carriage of crude oil, petroleum product and gas/LNG and the servicing of offshore platforms. Over recent years Sovcomflot has won many international shipping awards including most recently on 11 December 2018 the prestigious Lloyds List Annual Awards Environment Award, pioneering the use of LNG as the primary fuel for its tankers, LNG having low CO₂ emissions. Its only shareholder is

the Russian Federation. However, it operates without any support from the Russian state. Its principal clients and counterparties include many of the world's most prominent oil majors including Shell, BP, Exxon and Chevron. None of the companies or executives in the SCF Group are the subject of any UK, EU or US sanctions. Sovcomflot was instrumental in raising £500,000 for the repair of HMS Belfast in 2010 because of the historic contribution of that vessel to the Arctic Convoys in World War II. The UK government has actively courted Sovcomflot to float on the London Stock Exchange by way of an IPO and SCF's CEO has attended at No. 10 Downing Street on several occasions at the invitation of the UK government as part of London International Shipping Week.

Sovcomflot (UK) Ltd

5. Sovcomflot has had a UK-registered subsidiary, Sovcomflot (UK) Ltd, since 1992. It currently employs about fifteen staff, all but one of whom are British or from European countries. I have been a director of Sovcomflot (UK) Ltd since I joined the company on 1 July 2005. Sovcomflot (UK) Ltd is the London affiliate of the SCF Group. It is one of the commercial centres for the group and facilitates the chartering (hiring) of vessels in and out. It is a self-sufficient business with a turnover of approximately £4.5M to £6.2M per annum, profits of approximately £400,000 to £600,000 per annum and over the last five years it has contributed approximately £1million in taxes to the British Exchequer. It also spends approximately £150,000 per year in the UK on financial services such as insurance, banking and accounting.

My contract with Sovcomflot (UK) Ltd

6. I have been continuously employed by Sovcomflot (UK) Ltd since 1 July 2005. I am the Deputy Managing Director of the company and am employed as a risk and insurance manager. Under the terms of my contract I am obliged to comply with "every rule or regulation of any competent regulatory authority" and to abide "by all local laws, acts and regulations that apply to and affect the conduct of the Group's business affairs, whether at home or abroad." My role does not involve political lobbying or performing any parliamentary services on behalf of the company or the SCF Group and there is nothing in my contract, either express or implied, to suggest that is part of my duties. I can also confirm that I have never lobbied for or provided parliamentary services at any time to Sovcomflot (UK) Ltd or Sovcomflot/SCF Group.

Letters of reference

7. I attach letters of reference regarding Sovcomflot and Sovcomflot (UK) Ltd and my role there from Frank Dunne, the senior partner of the law firm Watson Farley & Williams, and Alexey Ostapenko, the Vice President and Chief Legal Counsel of PAO Sovcomflot, the management company of Sovcomflot the SCF Group (Appendix 3 [Appendix H]).

Mr Yuri Nikitin

8. I should add some words about Sovcomflot's litigation with Yuri Nikitin. As I wrote in my letter of 24 October 2018 to the Chairman of the Foreign Affairs Committee, Sovcomflot and a number of related companies, including a company called Novoship (UK) Ltd and Fiona Maritime Agencies Ltd (now Sovcomflot (UK) Ltd), were engaged as claimants in litigation in

London with a Russian national by the name of Yuri Nikitin and others for a number of years after 2005. In these proceedings the English High Court found that Mr Nikitin had paid significant bribes amounting to millions of dollars to officers of Sovcomflot based both in London and Moscow. The Court further found that Mr Nikitin had forged documents, breached his fiduciary and other duties, paid secret commissions, acted dishonestly in connection with brokers' commission schemes, given dishonest evidence, and collaborated and conspired with London shipbrokers, among others, to defraud Sovcomflot and Novoship (UK) Ltd of tens of millions of dollars. Under the High Court judgments Mr Nikitin and his associated companies were ordered to pay the claimants in excess of US\$56 million. It is very important to note that these events took place in the period 2000–2004 under Sovcomflot's previous management and CEO and before I joined Sovcomflot (UK) Ltd in July 2005. Notwithstanding these findings of fraud and corruption against Mr Nikitin by the English High Court, it seems that Mr Nikitin maintains his asylum status in the UK and continues to reside here.

The meeting on 10 July 2018

9. David Moorhouse CBE, a member of the Sovcomflot board of directors, and I met with the Minister for Security and Economic Crime and his official, Dr John Lunan, on 10 July 2018 (i.e. some 13 weeks before Mr Wallace's letter of 11 October). As requested, I attach a copy of my note of that meeting (Appendix 4 [Reference is to a document that has not been published]). As you will see from it, Dr Lunan offered to prepare an agreed Minute of the meeting, but that has not in the event been forthcoming. I also attach, as requested, copies of my correspondence with the Minister's office to make arrangements for the meeting (Appendix 5 [Reference is to a document that has not been published]). I never requested a private meeting with the Minister: it was simply to be a meeting with the Minister with responsibility for the Proceeds of Crime Act. The time and place for the meeting was proposed by and arranged with the Minister's assistant. As stated, I was accompanied by David Moorhouse, a senior member of the Sovcomflot Board of Directors. A "private" meeting was neither requested nor expected by Mr Moorhouse or myself. There was only one meeting with the Minister. I did not seek meetings with him, as suggested by Mr Brake MP.
10. I wanted to bring to the attention of the Minister, in light of his portfolio being extended to include Economic Crime, the circumstances regarding Mr Nikitin referred to in paragraph (8) above in the context of the UK government's increased powers to investigate individuals with unlawfully obtained assets. It was not, as was suggested in correspondence between Mr Tugendhat and Mr Wallace and consequently also in *The Times*, to whom that correspondence (or some of it) appears to have been leaked, to "*request government assistance for Russian associates*". I do not know why there has been confusion over the purpose of the meeting or why Mr Tugendhat used that language in his letter to the Minister of 17 September 2018, nor why it was repeated in the Minister's letter in reply of 11 October 2018.
11. As my note of the meeting records, and as my letter to Mr Tugendhat of 24 October 2018 reflects, rather than seeking "assistance" for any "Russian associates", the purpose of the meeting was to discuss with the Minister (in his capacity as Minister of State for Security and Economic Crime) the Unexplained Wealth Order (UWO) regime as it might apply to Mr Nikitin,

who might be seen as an exemplar of precisely the kind of individual whom UWOs are intended to target. In other words, far from seeking to protect any alleged “Russian associates” from prosecutorial action, the purpose of the meeting was the very converse: namely, to draw the Minister’s attention to the existence of a Russian individual residing in the UK who might be considered an appropriate target for such action which would be consistent with the government’s stated intention of making the UK a hostile environment for those engaged in economic crime, especially Russian nationals (ref Foreign Affairs Committee, *Moscow’s Gold: Russian Corruption in the UK*, Eighth Report of Session 2017–19 HC 932).

12. The background to the meeting in July was the recent passage of the Crime and Courts Act in 2017 and its attendant Unexplained Wealth Order powers. As a member of the House I had sat through many sessions of the passage of this Bill and had listened to and been influenced by the stated intention from the relevant Ministers that the Act and its powers would be used energetically to cleanse the UK and London from so-called dirty money residing there. This message of intention is reflected in the letter from the Chairman of the Foreign Affairs Committee to myself of 17 October 2018 asking me to comment on the meeting with the Minister. Given the factual background set out in paragraph (8) above, there was it seemed to me a public policy interest in the relevant Minister being made aware of those circumstances. The meeting that Mr Moorhouse and I attended with the Minister was precisely in line with the Government’s stated intention to cleanse London/the UK as a refuge for “dirty money”.

Transparency/Openness/Honesty

13. I have at all times been studious to declare my interest as a director and employee of Sovcomflot (UK) Ltd. I would refer to my entry in the Register of Lord’s Interests, the introductory remarks to my speeches to the House of Lords dated 3 December 2015 and 23 May 2016 (Appendix 6[Reference is to a document that has not been published]), and the minutes of the meeting with the Minister on 10 July 2018 [Reference is to a document that has not been published].

The complaint

14. In your letter dated 13 December 2018 you said it appears paragraphs 8(d) and 14 of the Code of Conduct have been engaged. You helpfully quoted the text of those paragraphs and referred to paragraphs 21, 23 to 28 of the Guide to the Code of Conduct. Paragraph 8 (d) of the Code reads:

“Members of the House: ...

must not seek to profit from membership of the House by accepting or agreeing to accept payment or other incentive or reward in return for providing parliamentary advice or services

Paragraph 21 of the Guidance explains that:

“The prohibition on accepting payment in return for parliamentary services means that members may not, in return for payment or other incentive or reward, assist outside organisations or persons in influencing members of either House, ministers or officials. This includes seeking by means of participation in proceedings of the House to confer exclusive benefit upon the organisation (the

“no paid advocacy rule”); or making use of their position to lobby, or to help others to lobby, members of either House, ministers or officials, by whatever means.

15. As I have explained above, I joined Sovcomflot (UK) Ltd more than 10 years before I was elected into the House of Lords and, as Frank Dunne and Alexey Ostapenko have verified in writing, I am employed for my expertise in maritime insurance stretching over 30 years. I am not employed or paid as a lobbyist or advocate for Sovcomflot (UK) Ltd or the SCF Group or in any other way *“in return for providing parliamentary advice or services”*. I did not meet the Minister in such a capacity or in return for payment or other incentive or reward.
16. Furthermore, neither I nor Sovcomflot would derive any benefit from the outcome of the meeting with the Minister. Even if Mr Nikitin were made the subject of an Unexplained Wealth Order, and assets or proceeds were recovered from him, they would be confiscated by the UK government. In the circumstances, I do not believe I am in breach of paragraph 8(d) of the Code.
17. Paragraph 14 of the Code restricts members from acting *“as a paid advocate in any proceeding of the House.”* As paragraph 14 itself makes clear, there are three limbs to the provision, all of which must be satisfied in order to found an adverse finding, as follows:
 - 17.1 he or she must not seek by **parliamentary means** (that is, *“in any proceeding of the House”*);
 - 17.2 to confer **exclusive benefit** on an outside body or person;
 - 17.3 from which he or she receives **payment or reward**.
18. Whether or not a meeting with a Minister is a *“proceeding of the House”* for the purposes of paragraph 14, I was not in any event seeking to confer any *“exclusive benefit”*, a term which, according to paragraph 25 of the Guide, should be *“interpreted narrowly”*.
19. As explained at paragraph 16 above, I was not and could not have been seeking to confer any benefit on Sovcomflot (UK) Limited (being the only outside body from which I receive, for these purposes, any payment or reward) because there would be no advantage to Sovcomflot UK or for that matter to Sovcomflot/the SCF Group or to myself in Mr Nikitin being made the subject of a UWO and/or of any consequential seizure of assets. I do not therefore believe that I was in breach of paragraph 14 of the Code.
20. In conclusion I would like to stress that:
 - (1) I have always been very conscious of the importance of upholding the integrity of the House of Lords since I was privileged to be elected to rejoin the second Chamber in 2015.
 - (2) Accordingly, I have always been totally open with the House about my involvement with Sovcomflot and I have been careful to disclose my interest in a Russian shipping company whenever appropriate. As you will have seen from my minute of the meeting with the Minister, I was

scrupulous in following the same approach in my dealings with the Minister and his office.

- (3) The purpose of the meeting with the Minister was absolutely one of public interest, namely to bring to the attention of the Minister for Security and Economic Crime that a Russian national, who has benefitted from the proceeds of corruption and fraud, remains in the UK and that such a person might fall within his responsibility as Minister for Security and Economic Crime. This did not involve lobbying on behalf of Sovcomflot (UK) Ltd or Sovcomflot/the SCF Group, nor did Sovcomflot (UK) Ltd, the SCF Group or I stand to gain any advantage from the meeting.
21. If I can be of any further assistance, I would be happy to make myself available to you.

Appendix H: Letters of Reference for Lord Fairfax of Cameron

Letter from Frank Dunne, Senior Partner, Watson Farley & Williams LLP to the Commissioner for Standards, 2 January 2019

Reference Letter on Sovcomflot (“SCF”) and Sovcomflot UK (“SCF UK”)

This letter is written based upon the longstanding professional and personal relationship of the writer and Watson Farley & Williams with SCF/SCF UK and its senior personnel.

We wish to provide an overview of SCF and SCF’s operations and our experiences regarding how SCF and SCF UK conduct those operations. We have acted and continue to act for SCF and SCF UK in various matters.

SCF

SCF provides global energy transportation services and is a leader in the maritime transportation of hydrocarbons, as well as the servicing and support of offshore exploration and oil and gas production. SCF’s fleet includes 144 owned and chartered vessels making it Russia’s largest shipping company. SCF is regarded as an industry leader in the global maritime industry, with clients including Shell, BP, Vital and other oil majors. We consider SCF to be an exemplary company with extremely high standards of integrity.

SCF is 100% owned by Russian State but from its foundation has been commercially operating on international markets without support from the state. Neither SCF nor any of its executives are subject to sanctions. SCF’s executives have been invited to (and have attended) UK Government functions on several occasions as part of London International Shipping Week.

SCF is committed to operating in an open and transparent manner and to this end has incorporated corporate governance practices (including forming Audit and HR and Remuneration committees) and publishes Annual Reports in accordance with Russian Regulatory Requirements as well as with the requirements of the London Stock Exchange (for the period 2010–2017) and Irish Stock Exchange starting from 2016 onwards. SCF’s lenders include a cluster of international banks (several operating out of the UK) which adhere to strict Anti Money Laundering and ‘Know Your Client’ processes to enable them to transact business with SCF. As a provider of legal services, we have conducted these same regulatory checks to enable us to act on behalf of SCF.

SCF executives have met on various occasions with representatives of the London Stock Exchange to discuss the possible part privatisation of SCF on the LSE.

SCF has employed Lord Fairfax since 2005 based on his extensive experience in maritime matters and particularly maritime insurance. Lord Fairfax had a distinguished career in Marine Insurance prior to joining SCF — mainly at the UK P&I Club a leading mutual insurer of marine perils. Lord Fairfax also has considerable experience of working with Russian entities.

We do not believe that SCF has employed Lord Fairfax for any of his political connections nor for his role as a peer (indeed, for around 10 years from 2005 to 2015, Lord Fairfax was employed at SCF but was not a member of the House of Lords). We have reviewed Lord Fairfax’s terms of employment and we confirm that it is not a term of Lord Fairfax’s employment with SCF that he conduct any

political lobbying on behalf of SCF nor is it a term of Lord Fairfax's employment that he provides parliamentary advice or services to SCF.

SCF is very focused on compliance and would wish Lord Fairfax, in his capacity as a Member of the House of Lords, to conduct himself entirely in accordance with the Rules of the House. It is a term of Lord Fairfax's employment with SCF UK that he should 'comply with every rule or regulation of any competent regulatory authority'.

SCF UK

Lord Fairfax is a director of SCF UK and has recorded as such in the Register of Lords' Interests. SCF UK was incorporated in 1992 and is the London affiliate of the SCF Group employing 15 staff in the UK. SCF UK is one of SCF Group's commercial centres, facilitating chartering of vessels for the transportation of oil, petroleum products, chemical products and bulk cargo. SCF UK is a member of the Baltic Exchange, BIMCO, the Worldscale Association, and is a Corporate Member of Maritime London. As part of its operations, SCF UK naturally is a significant consumer of legal and other financial services in the UK.

More information can be located about SCF on its website: <http://www.scf-group.ru/en/>

Letter from Alexey Ostapenko, Vice President and Chief Legal Counsel, PAO Sovcomflot to the Commissioner for Standards, 9 January 2019

I am writing to explain the relationship between Nicholas Fairfax and the SCF Group.

By way of introduction, I am Vice President and Chief Legal Counsel of PAO Sovcomflot, the management company of SCF Group. I have held this position since 2014. Prior to that I was director of the legal department of PAO Sovcomflot and its predecessor, OAO Sovcomflot, from 2006. PAO Sovcomflot is incorporated in Russia with ultimate ownership by the Russian Federation.

The SCF Group is Russia's largest shipowner with a fleet of 144 vessels, mostly tankers, with a combined deadweight of approximately 12.48 million tons.

Sovcomflot (UK) Ltd is the London affiliate of the SCF Group and is a subsidiary of PAO Sovcomflot. It was incorporated on 24 March 1992 under the name of Fiona Maritime Agencies Ltd. The company changed its name to Sovcomflot (UK) Ltd on 14 October 2005.

Sovcomflot (UK) Ltd acts as one of the SCF Group's commercial centres, facilitating the chartering of vessels for the shipment of crude oil, petroleum products, LPG, LNG, chemical products and bulk cargoes. London is an important centre for the shipping industry with many of the world's leading marine insurance companies, brokers, lawyers and operators based there.

Nicholas Fairfax has been a director of Sovcomflot (UK) Ltd since 1 July 2005.

I was appointed a director of the company on 1 July 2015. I have known Nicholas Fairfax since 2003. From my dealings with him I believe he has extensive experience and knowledge of maritime insurance and the Russian shipping industry going back almost 40 years. I consider him to be a person of great integrity and honesty.

I have reviewed Nicholas Fairfax's employment contract with Sovcomflot (UK) Ltd. The contract states that Nicholas Fairfax is employed as the Deputy Managing Director of the company and his continuous employment with the company started on 1 July 2005. His job includes dealing with risk management and insurance matters. It is a term of his employment contract that he acts with "due diligence and utmost honesty at all times" and that he abides "by all local laws, acts, and regulations that apply to and affect the conduct of the Group's business affairs, whether at home or abroad".

I can confirm that there is no requirement or obligation, express or implied, under Nicholas Fairfax's contract of employment to carry out any political lobbying or perform any parliamentary services on behalf of Sovcomflot (UK) Ltd or the SCF Group.